

**the Montrose Center**

Financial Statements  
and Single Audit Reports  
for the year ended August 31, 2013

# the Montrose Center

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**Independent Auditors' Report**

To the Board of Directors of  
the Montrose Center:

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Montrose Center, which comprise the statements of financial position as of August 31, 2013 and 2012 and the related statements of activities, of functional expenses, and of cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Montrose Center as of August 31, 2013 and 2012 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information included in the schedule of expenditures of federal awards for the year ended August 31, 2013 as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis and is not a required part of the financial statements. Supplemental information in the schedule of expenditures of state awards for the year ended August 31, 2013 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2013 on our consideration of the Montrose Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Montrose Center's internal control over financial reporting and compliance.

*Blazek & Vetterling*

December 19, 2013

## the Montrose Center

### Statements of Financial Position as of August 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents ( <i>Note 3</i> )	\$ 594,724	\$ 652,614
Receivables:		
Government contracts	865,138	899,708
United Way allocation	33,120	26,456
Client fees, net	131,267	108,376
Pledges, net ( <i>Note 4</i> )	56,952	53,829
Prepaid expenses	160,736	162,030
Property, net ( <i>Note 5</i> )	<u>263,155</u>	<u>359,117</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,105,092</u></b>	<b><u>\$ 2,262,130</u></b>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 140,998</u>	<u>\$ 281,427</u>
Net assets:		
Unrestricted	1,376,465	1,396,654
Temporarily restricted ( <i>Note 6</i> )	<u>587,629</u>	<u>584,049</u>
Total net assets	<u>1,964,094</u>	<u>1,980,703</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 2,105,092</u></b>	<b><u>\$ 2,262,130</u></b>

*See accompanying notes to financial statements.*

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## the Montrose Center

Statement of Activities for the year ended August 31, 2013

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE:</b>			
Government contracts ( <i>Note 7</i> )	\$ 4,072,402		\$ 4,072,402
Client fees	967,637		967,637
Contributions	247,936	\$ 181,338	429,274
United Way allocation		101,833	101,833
Other income	<u>41,532</u>	<u>          </u>	<u>41,532</u>
Total revenue	5,329,507	283,171	5,612,678
Net assets released from restrictions:			
Expenditure for program purposes	<u>279,591</u>	<u>(279,591)</u>	<u>          </u>
Total	<u>5,609,098</u>	<u>3,580</u>	<u>5,612,678</u>
<b>EXPENSES:</b>			
Program expenses:			
Case Management	2,466,996		2,466,996
Education	531,929		531,929
Chemical Dependency	522,645		522,645
Anti-Violence	467,629		467,629
HIV/AIDS	448,692		448,692
LIFE	432,064		432,064
Senior	<u>257,738</u>	<u>          </u>	<u>257,738</u>
Total program expenses	5,127,693		5,127,693
Management and general	355,920		355,920
Fundraising	<u>145,674</u>	<u>          </u>	<u>145,674</u>
Total expenses	<u>5,629,287</u>	<u>          </u>	<u>5,629,287</u>
CHANGES IN NET ASSETS	(20,189)	3,580	(16,609)
Net assets, beginning of year	<u>1,396,654</u>	<u>584,049</u>	<u>1,980,703</u>
Net assets, end of year	<u>\$ 1,376,465</u>	<u>\$ 587,629</u>	<u>\$ 1,964,094</u>

*See accompanying notes to financial statements.*

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## the Montrose Center

### Statement of Activities for the year ended August 31, 2012

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	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
<b>REVENUE:</b>			
Government contracts ( <i>Note 7</i> )	\$ 3,677,803		\$ 3,677,803
Client fees	673,256		673,256
Contributions	317,628	\$ 386,561	704,189
United Way allocation		66,288	66,288
Other income	<u>119,034</u>	<u>          </u>	<u>119,034</u>
Total revenue	4,787,721	452,849	5,240,570
Net assets released from restrictions:			
Expenditure for program purposes	268,317	(268,317)	
Building and improvements	<u>15,000</u>	<u>(15,000)</u>	<u>          </u>
Total	<u>5,071,038</u>	<u>169,532</u>	<u>5,240,570</u>
<b>EXPENSES:</b>			
Program expenses:			
Case Management	1,841,361		1,841,361
Education	543,856		543,856
Chemical Dependency	507,185		507,185
Anti-Violence	457,955		457,955
HIV/AIDS	359,306		359,306
LIFE	369,946		369,946
Senior	<u>250,960</u>	<u>          </u>	<u>250,960</u>
Total program expenses	4,330,569		4,330,569
Management and general	414,885		414,885
Fundraising	<u>135,178</u>	<u>          </u>	<u>135,178</u>
Total expenses	<u>4,880,632</u>	<u>          </u>	<u>4,880,632</u>
CHANGES IN NET ASSETS	190,406	169,532	359,938
Net assets, beginning of year	<u>1,206,248</u>	<u>414,517</u>	<u>1,620,765</u>
Net assets, end of year	<u>\$ 1,396,654</u>	<u>\$ 584,049</u>	<u>\$ 1,980,703</u>

*See accompanying notes to financial statements.*

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## the Montrose Center

### Statement of Functional Expenses for the year ended August 31, 2013

	CASE MANAGEMENT	EDUCATION	CHEMICAL DEPENDENCY	ANTI- VIOLENCE	HIV/AIDS	LIFE	SENIOR	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 1,198,233	\$ 335,582	\$ 267,777	\$ 241,046	\$ 295,747	\$ 277,774	\$ 171,097	\$ 179,801	\$ 94,023	\$ 3,061,080
Benefits	200,834	50,830	35,528	32,532	35,212	31,972	20,263	24,943	14,592	446,706
Payroll taxes	100,308	28,157	22,113	19,986	24,448	22,889	14,431	13,941	7,795	254,068
Client assistance	515,957		564	96,757		9				613,287
Occupancy	198,176	61,032	42,384	48,221	59,478	41,415	24,831	92,714	4,884	573,135
Contract services	72,933	2,931	98,577	390	7,444	22,686	2,659	29,322	144	237,086
Supplies	50,221	12,128	9,877	6,680	7,938	7,589	9,161		8,708	112,302
Depreciation	47,941	10,352	10,166	9,062	8,718	8,371	5,003	8,624	2,896	111,133
In-kind professional services	19,296	4,392	4,433	4,745	4,433	4,529	3,560	37	4,627	50,052
Local travel	28,595	13,225	226	1,595	19	1,507	820	224	22	46,233
Telephone	9,293	3,281	1,825	3,773	1,802	1,785	1,075	1,614	203	24,651
Professional development	6,415	1,233	3,503	618	161	1,056	1,661	565	240	15,452
Equipment rental and purchases	4,571	1,518	1,381	1,029	1,054	1,287	631	991	169	12,631
Bad debt – uncollectible accounts			45	577	1,525	7,679				9,826
Printing	3,798	1,463	327	422	320	422	361	473	34	7,620
Postage	1,046	294	155	194	158	198	95	97	18	2,255
Other	9,379	5,511	23,764	2	235	896	2,090	2,574	7,319	51,770
<b>Total expenses</b>	<b>\$ 2,466,996</b>	<b>\$ 531,929</b>	<b>\$ 522,645</b>	<b>\$ 467,629</b>	<b>\$ 448,692</b>	<b>\$ 432,064</b>	<b>\$ 257,738</b>	<b>\$ 355,920</b>	<b>\$ 145,674</b>	<b>\$ 5,629,287</b>
Grant reimbursed administration by program	\$146,433	\$37,726	\$19,363	\$17,139	\$16,040	\$1,679	\$7,306			

*See accompanying notes to financial statements.*



## the Montrose Center

### Statement of Functional Expenses for the year ended August 31, 2012

	CASE MANAGEMENT	EDUCATION	CHEMICAL DEPENDENCY	ANTI- VIOLENCE	HIV/AIDS	LIFE	SENIOR	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL EXPENSES
Salaries	\$ 963,810	\$ 330,508	\$ 252,136	\$ 229,031	\$ 241,846	\$ 232,755	\$ 156,126	\$ 186,767	\$ 85,955	\$ 2,678,934
Benefits	194,026	56,965	39,055	35,499	32,130	31,007	21,141	26,998	14,564	451,385
Payroll taxes	72,670	25,123	18,804	17,359	18,202	17,446	11,760	12,054	6,464	199,882
Client assistance	204,161	165	833	89,641			35			294,835
Occupancy	198,177	69,201	46,200	53,321	38,311	41,649	25,286	95,777	4,709	572,631
Contract services	77,578	5,779	108,893	380	8,431	21,659	6,473	28,266	179	257,638
Supplies	18,862	7,714	11,810	2,354	3,155	1,417	3,707	8,233	5,489	62,741
Depreciation	12,143	3,527	3,669	3,020	2,371	2,431	1,656	2,712	876	32,405
In-kind professional services	14,473	10,558	5,687	11,112	5,687	5,687				53,204
Local travel	29,260	12,376	607	743	410	1,430	689	663	107	46,285
Telephone	10,667	4,252	3,473	5,436	2,862	3,107	1,551	1,938	230	33,516
Professional development	6,554	903	6,557	318	23	83	14,799	6	369	29,612
Equipment rental and purchases	3,567	1,896	1,272	949	708	691	455	304	80	9,922
Bad debt – uncollectible accounts			571	551	215	2,417		3,960		7,714
Printing	1,034	1,589	69	267	33	198	1,880	157	147	5,374
Postage	1,150	384	253	367	260	242	127	186	22	2,991
Co-employment service fees	18,219	6,617	4,353	5,090	3,514	4,009	2,383	3,091	457	47,733
Other	15,010	6,299	2,943	2,517	1,148	3,718	2,892	43,773	15,530	93,830
<b>Total expenses</b>	<b>\$ 1,841,361</b>	<b>\$ 543,856</b>	<b>\$ 507,185</b>	<b>\$ 457,955</b>	<b>\$ 359,306</b>	<b>\$ 369,946</b>	<b>\$ 250,960</b>	<b>\$ 414,885</b>	<b>\$ 135,178</b>	<b>\$ 4,880,632</b>
Grant reimbursed administration by program	\$127,047	\$42,638	\$26,625	\$14,665	\$15,277	\$1,942	\$9,243			

*See accompanying notes to financial statements.*

## the Montrose Center

### Statements of Cash Flows for the years ended August 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ (16,609)	\$ 359,938
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	111,133	32,405
Changes in operating assets and liabilities:		
Receivables	1,892	(277,334)
Prepaid expenses	1,294	(51,324)
Accounts payable and accrued expenses	<u>(140,429)</u>	<u>179,006</u>
Net cash provided (used) by operating activities	<u>(42,719)</u>	<u>242,691</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property	<u>(15,171)</u>	<u>(301,737)</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(57,890)	(59,046)
Cash and cash equivalents, beginning of year	<u>652,614</u>	<u>711,660</u>
Cash and cash equivalents, end of year	<u>\$ 594,724</u>	<u>\$ 652,614</u>

*See accompanying notes to financial statements.*

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## **the Montrose Center**

Notes to Financial Statements for the years ended August 31, 2013 and 2012

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### **NOTE 1 – ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES**

Organization – Montrose Counseling Center, Inc., doing business as The Montrose Center (the Center), is a Texas non-profit corporation created in 1978 to provide outpatient mental health care services, substance abuse treatment, and case management services in the Houston area. Program services are as follows:

*Case Management* – Services are provided by the Center to assist clients in dealing with basic everyday challenges including access to health and psychosocial services in a timely and coordinated manner. Services include housing financial assistance, assistance with obtaining and completing governmental forms, as well as locating transportation, housing, and other resources. The Center’s primary goal is to promote continuity of care so that clients can function interdependently by using government, private and community resources. In addition to case management services to those living with HIV disease, specialized case management services are available to those who are living with HIV as well as deaf/hard-of-hearing, living with HIV as well as mental retardation, severe learning disability or severe cognitive impairment; or survivors of sexual assault, same-sex domestic violence or a bias/hate crime.

*Education* programs provide current and accessible information on HIV, sexually transmitted infections, chemical dependency, hepatitis and tuberculosis, and offer seminars on issues such as homophobia, heterosexism and cultural sensitivity. The Center also provides anti-violence education. The programs provide education and training not only to Lesbian, Gay, Bisexual and Transgender individuals (LGBT), but to the greater Houston metropolitan area as a whole. These services are provided in prisons, half-way houses, inpatient and outpatient recovery centers, schools, social organizations, businesses and corporations, community and neighborhood groups, health care and legal professionals, churches and families.

*Chemical Dependency* provides a combination of education, therapy, and counseling. It is a state licensed, out-patient treatment program designed primarily for the LGBT communities. All phases of the program offer services to family members and others significant in the lives of clients participating in the program.

*Anti-Violence* provides counseling services to address issues related to domestic violence, sexual assault, hate crimes and childhood sexual abuse.

*HIV/AIDS* provides individual, couple, and group counseling to people infected and affected with HIV and/or AIDS.

*Living Insightfully for Empowerment (LIFE)* is a psychotherapy and counseling program that provides quality counseling within a supportive atmosphere in which a person may feel empowered to explore all issues without fear of encountering prejudice, fear, ignorance, homophobia or heterosexism.

*Senior* provides counseling services, case management services, social and recreational activities and health and wellness education to LGBT people age 60 and older.

Federal income tax status – The Center is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and is classified as a public charity under §509(a)(2). The Center files annual federal information returns that are subject to routine examination; however, there are no examinations for any tax periods currently in progress. The Center believes it is no longer subject to examinations of returns for tax years ended before August 31, 2010.

Cash equivalents are highly liquid investments with original maturities of three months or less.

Pledges receivable that are due within one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are reported at the present value of the expected future cash flows.

Allowance for uncollectible accounts – An allowance for receivables is provided when it is believed balances may not be collected in full. The amount of bad debt expense or loss on pledges recognized and the resulting adequacy of the allowance are determined using a combination of historical loss experience and analysis of individual balances. It is possible that management's estimates regarding the collectability of the balances will change in the near term resulting in a change in the carrying value of these receivables.

Property is reported at cost if purchased and at estimated fair value at the date of gift if donated. Depreciation is calculated on a straight-line basis over estimated useful lives of 5 to 20 years.

Net asset classification – Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations even though their use may be limited in other respects such as by contract or board designation.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.

Fee revenue – Revenue from government contracts and client fees are recognized when the related services are provided.

Contributions are recognized as revenue when an unconditional commitment is received from the donor. Contributions received with donor stipulations that limit their use are classified as restricted support. Conditional contributions are recognized in the same manner when the conditions are substantially met.

Non-cash contributions – Donated materials and use of facilities are recognized at fair value when an unconditional commitment is received from the donor. The related expense is recognized as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Estimates – Management must make estimates and assumptions to prepare financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, the amounts of reported revenue and expenses, and the allocation of expenses among various functions. Actual results could vary from the estimates that were used.

## NOTE 2 – MONTROSE COUNSELING CENTER PERMANENT ENDOWMENT, INC.

Montrose Counseling Center Permanent Endowment, Inc. (the Endowment) is a nonprofit organization established to provide financial support for the Center. The Endowment is governed by an independent, self-perpetuating board of directors and serves as a permanent fund whereby donations are held in perpetuity. The financial activity of the Endowment is not included in these financial statements.

In 2007, the Endowment purchased an office building to house the operations of the Center. The office building is leased to the Center under a noncancelable operating lease agreement through September 30, 2022. The Center pays the expenses for building personnel and supplies, insurance, accounting and other administrative services. The property has annual rental payments of approximately \$567,000 through 2022.

## NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>2013</u>	<u>2012</u>
Bank deposits	\$ 451,492	\$ 516,291
Money market mutual funds	114,044	107,394
Certificates of deposit	<u>29,188</u>	<u>28,929</u>
Total cash and cash equivalents	<u>\$ 594,724</u>	<u>\$ 652,614</u>

## NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable are as follows:

	<u>2013</u>	<u>2012</u>
Pledges receivable	\$ 71,582	\$ 59,697
Allowance for uncollectible pledges	(13,759)	(5,055)
Discount to net present value at 1% to 2%	<u>(871)</u>	<u>(813)</u>
Pledges receivable	<u>\$ 56,952</u>	<u>\$ 53,829</u>

Pledges receivable at August 31, 2013 are expected to be collected as follows:

2014	\$ 23,802
2015 through 2018	<u>47,780</u>
Total pledges receivable	<u>\$ 71,582</u>

## NOTE 5 – PROPERTY

Property is comprised of the following:

	<u>2013</u>	<u>2012</u>
Furniture and equipment	\$ 591,854	\$ 576,683
Accumulated depreciation	<u>(328,699)</u>	<u>(217,566)</u>
Property, net	<u>\$ 263,155</u>	<u>\$ 359,117</u>

## NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Safe Zones program	\$ 269,697	\$ 336,747
HATCH program	74,715	28,654
Pledges restricted for use in future periods	71,582	53,829
Volunteer program	54,473	42,289
Outreach	44,417	44,417
United Way allocation	33,120	26,456
Other	<u>39,625</u>	<u>51,657</u>
Total temporarily restricted net assets	<u>\$ 587,629</u>	<u>\$ 584,049</u>

## NOTE 7 – GOVERNMENT CONTRACTS

The Center is a party to contracts with federal, state, and local governmental agencies. Should these contracts not be renewed, a replacement for this source of support may not be forthcoming and related expenses would not be incurred. Sources of significant federal and state grants received as direct and pass-thru funding include the following:

	<u>2013</u>	<u>2012</u>
Texas Department of State Health Services	\$ 1,509,759	\$ 1,555,905
City of Houston	972,020	516,709
U. S. Department of Health and Human Services – direct funding	885,277	935,580
Harris County – Ryan White Care Act, Part A	276,500	227,700
U. S. Department of Housing and Urban Development – direct funding	94,314	85,345
Texas Office of the Governor, Criminal Justice Division	90,490	88,883
Texas Office of the Attorney General	78,336	73,438
Texas Department of Housing and Community Affairs		57,077
Health and Human Services Commission	57,018	
Other	<u>108,688</u>	<u>137,166</u>
Total revenue from government contracts	<u>\$ 4,072,402</u>	<u>\$ 3,677,803</u>

The Center receives grants from federal, state and local governmental agencies that require fulfillment of certain conditions as set forth in the grant contracts and are subject to review and audit by the awarding agencies. Such reviews and audits could result in the discovery of unallowable activities and unallowable costs. Consequently, any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds as a result of non-compliance by the Center with the terms of the contracts. Management believes such disallowances, if any, would not be material to the Center's financial position or changes in net assets.

## NOTE 8 – RETIREMENT PLAN

The Center participates in a §403(b) defined contribution annuity plan. Contributions to the plan include the employee's deferral of salary plus an employer match. The Center matches 50% of the employee's

contributions, up to a maximum of 3% of the employee's salary. The Center contributed \$35,300 to this plan in 2013 and \$30,700 in 2012.

**NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 19, 2013, which is the date that the financial statements were available for issuance. As a result of this evaluation, no events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets.

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## the Montrose Center

Schedule of Expenditures of Federal Awards for the year ended August 31, 2013

### GRANTOR

<u>Pass-through Grantor</u> <u>Program Title &amp; Period</u>	<u>CFDA</u> <u>Number</u>	<u>Grant</u> <u>Number</u>	<u>Award</u> <u>Amount</u>	<u>Revenue</u>	<u>Allowable</u> <u>Expenses</u>
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Direct Federal Funding:					
Substance Abuse and Mental Health Services Administration – Projects of Regional and National Significance					
Community PROMISE Center for Substance Abuse Prevention					
#1	09/30/11 – 09/29/12	93.243	5U79SP015106-04	\$335,333 \$ 22,584	\$ 22,590
#2	09/30/12 – 09/29/13	93.243	5U79SP015106-05	\$335,333 208,696	208,691
EMBody Primary Care and Behavioral Health Integration					
#3	09/30/11 – 09/29/12	93.243	5H79SM059742-02	\$500,000 220,083	219,968
#4	09/30/12 – 09/29/13	93.243	5H79SM059742-03	\$500,000 319,814	319,928*
Seniors Preparing for Rainbow Years					
#5	09/30/11 – 03/29/14	93.243	1H79SM060695-01	\$356,344 114,100	114,100
				<u>885,277</u>	<u>885,277</u>
Passed through City of Houston Department of Health and Human Services Area Agency on Aging:					
Special Programs for the Aging Title III, Part B					
Grants for Supportive Services and Senior Centers					
#6	04/01/12 – 09/30/12	93.044	4600010084	\$41,848 7,823	7,017
#7	10/01/12 – 09/30/13	93.044	4600010084	\$65,205 65,205	80,194
				<u>73,028</u>	<u>87,211</u>
Passed through Houston Rescue and Restore Coalition:					
Project Grants Services to Victims of a Severe Form of Trafficking					
#8	07/01/12 – 06/30/13	93.598	HHS2012CONORRZV0089	\$50,000 43,111	52,460
#9	07/01/13 – 06/30/14	93.598	HHS2013CONORRZV0089	\$50,000 8,676	11,287
				<u>51,787</u>	<u>63,747</u>
Passed through Texas Health and Human Services Commission:					
Family Violence Program Prevention and Service Act					
#10	09/01/12 – 08/31/13	93.671	529-13-0016-00002	\$18,151 17,439	17,439
				<u>17,439</u>	<u>17,439</u>
Administration for Children and Families					
Social Services Block Grant Supplemental Fund					
#11	09/01/12 – 08/31/13	93.667	529-13-00162-00002	\$41,195 39,579	39,579
				<u>39,579</u>	<u>39,579</u>

\*Includes \$135,000 in allowable costs expended in the prior year and billed in fiscal 2013.

(continued)



**the Montrose Center**

Schedule of Expenditures of Federal Awards for the year ended August 31, 2013 (continued)

**GRANTOR**

<u>Pass-through Grantor</u> <u>Program Title &amp; Period</u>	<u>CFDA</u> <u>Number</u>	<u>Grant</u> <u>Number</u>	<u>Award</u> <u>Amount</u>	<u>Revenue</u>	<u>Allowable</u> <u>Expenses</u>
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U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)

Passed through Harris County:

Ryan White Care Act, Part A, HIV Emergency Project Formula Grants

Case Management

#12	03/01/12 – 02/28/13	93.914	11GEN1997	\$195,675	129,575	82,407
#13	03/01/13 – 02/28/14	93.914	13GEN0050	\$246,225	116,075	102,856
Substance Abuse						
#14	03/01/12 – 02/28/13	93.914	11GEN1996	\$45,750	16,050	13,976
#15	03/01/13 – 02/28/14	93.914	13GEN0049	\$45,750	<u>15,100</u>	<u>17,812</u>
				<u>276,800</u>	<u>217,051</u>	

Passed through City of Houston Bureau of HIV/STD Prevention:

HIV Prevention Activities Health Department Based City Community – PROMISE

#16	01/01/12 – 12/31/12	93.940	4600008358	\$280,860	88,638	88,638
#17	01/01/13 – 12/31/13	93.940	4600008358	\$280,860	<u>178,720</u>	<u>178,720</u>
				<u>267,358</u>	<u>267,358</u>	

Passed through Texas Department of State Health Services:

Block Grants for Prevention and Treatment of Substance Abuse

HIV Early Intervention

#18	09/01/12 – 08/31/13	93.959	2013-041490-001	\$829,819	719,076	719,076
HIV Outreach						
#19	09/01/12 – 08/31/13	93.959	2013-041454-001	\$399,987	377,905	377,905
Substance Abuse Treatment						
#20	09/01/12 – 08/31/13	93.959	2013-041872-001	\$11,746	11,746	36,034
Co-Occurring Psychiatric and Substance Abuse Disorders						
#21	09/01/12 – 08/31/13	93.959	2013-041451-001	\$3,157	<u>1,493</u>	<u>3,381</u>
				<u>1,110,220</u>	<u>1,136,396</u>	

Passed through Houston Regional HIV/AIDS Resource Group, Inc.

Coordinated Services and Access to Research for Women, Infants, Children and Youth

Ryan White, Part D, Mental Health

#22	08/01/12 – 07/31/13	93.153	12MCC00RWD	\$26,691	12,265	16,730
#23	08/01/13 – 07/31/14	93.153	13MCC00RWD	\$26,691	<u>1,031</u>	<u>1,183</u>
				<u>13,296</u>	<u>17,913</u>	

(continued)

**the Montrose Center**

Schedule of Expenditures of Federal Awards for the year ended August 31, 2013 (continued)

GRANTOR

<u>Pass-through Grantor</u> <u>Program Title &amp; Period</u>	<u>CFDA</u> <u>Number</u>	<u>Grant</u> <u>Number</u>	<u>Award</u> <u>Amount</u>	<u>Revenue</u>	<u>Allowable</u> <u>Expenses</u>
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U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES *(continued)*

Passed through Neighborhood Centers, Inc. and Harris County Area Agency on Aging:

Special Programs for the Aging, Title III, Part C Nutrition Services

Nutrition and/or Senior Services – Congregate Meals

#24	10/01/12 – 09/30/13	93.045	3618	\$7,636	<u>4,026</u>	<u>4,026</u>
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Total U. S. Department of Health and Human Services				<u>2,738,810</u>	<u>2,735,997</u>
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U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Federal Funding:

Supportive Housing Program

#25	10/01/11 – 09/30/12	14.235	TX0171B6E000803	\$105,259	7,165	7,165
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#26	10/01/12 – 09/30/13	14.235	TX0171B6E001104	\$105,259	<u>87,149</u>	<u>87,149</u>
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				<u>94,314</u>	<u>94,314</u>
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Passed through City of Houston Housing and Community Development Department:

AIDS Housing Opportunities Act, Housing Opportunities for Persons with AIDS

#27	04/19/12 – 04/30/13	14.241	4600011407	\$608,119	393,200	396,012
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#28	05/01/12 – 04/30/14	14.241	4600011407	\$608,119	<u>238,434</u>	<u>242,183</u>
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				<u>631,634</u>	<u>638,195</u>
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Total U. S. Department of Housing and Urban Development				<u>725,948</u>	<u>732,509</u>
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U. S. DEPARTMENT OF JUSTICE

Passed through Texas Office of the Governor, Criminal Justice Division:

Crime Victim Assistance

Hate Crimes Survivors Services

#29	09/01/12 – 08/31/13	16.575	VA-12-V30-16934-09	\$80,000	41,968	41,968
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Shelter Support Services

#30	09/01/12 – 08/31/13	16.575	VA-12-V30-21049-04	\$58,000	<u>48,522</u>	<u>48,522</u>
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Total U. S. Department of Justice				<u>90,490</u>	<u>90,490</u>
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TOTAL FEDERAL AWARDS				<u>\$ 3,555,248</u>	<u>\$ 3,558,996</u>
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*See accompanying note to schedules of expenditures of federal and state awards.*

**the Montrose Center**

Schedule of Expenditures of State Awards for the year ended August 31, 2013

GRANTOR

<u>Pass-through Grantor Program Title &amp; Period</u>	<u>Contract Number</u>	<u>Award Amount</u>	<u>Revenue</u>	<u>Allowable Expenses</u>
<b>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</b>				
Direct Funding:				
HIV Early Intervention				
#1 09/01/12 – 08/31/13	2013-041490-001	\$30,432	\$ 30,432	\$ 30,432
HIV Outreach				
#2 09/01/12 – 08/31/13	2013-041454-001	\$17,017	17,017	17,017
Substance Abuse Treatment				
#3 09/01/12 – 08/31/13	2013-041872-001	\$1,254	1,254	1,254
Co-Occurring Psychiatric and Substance Abuse Disorders				
#4 09/01/12 – 08/31/13	2013-041451-001	\$363	363	363
Passed through Houston Regional HIV/AIDS Resource Group, Inc.:				
Mental Health				
#5 09/01/12 – 08/31/13	13MCC00SS	\$318,573	318,573	274,053
Linguistics				
#6 09/01/12 – 08/31/13	13MCC00SS	\$31,900	<u>31,900</u>	<u>36,688</u>
Total Texas Department of State Health Services			<u>399,539</u>	<u>359,807</u>
<b>TEXAS OFFICE OF THE ATTORNEY GENERAL</b>				
Sexual Assault Prevention and Crisis Services:				
Crisis Intervention				
#7 09/01/12 – 08/31/13	1333897-01	\$72,599	35,152	35,152
Crime Victim Services Division:				
Other Victim Assistance Grant				
#8 09/01/12 – 08/31/13	1335496-01	\$43,723	<u>43,185</u>	<u>43,185</u>
Total Texas Office of the Attorney General			<u>78,337</u>	<u>78,337</u>
<b>HEALTH AND HUMAN SERVICES COMMISSION</b>				
Family Violence Prevention and Services Act				
#9 09/01/12 – 08/31/13	529-13-0016-00002	\$41,195	<u>39,579</u>	<u>39,579</u>
<b>TOTAL STATE AWARDS</b>			<u>\$ 517,455</u>	<u>\$ 477,723</u>

*See accompanying note to schedules of expenditures of federal and state awards.*

## the Montrose Center

Note to Schedules of Expenditures of Federal and State Awards for the year ended August 31, 2013

### **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

Basis of presentation – The schedules of expenditures of federal and state awards are prepared on the accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* for federal awards and the State of Texas *Single Audit Circular* for state awards. Expenses include allowable expenses funded by federal and state grants and other funding sources for each program. Allowable expenses are determined according to the standards of Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations* and the *Texas Uniform Grants Management Standards*, and include both costs that are capitalized in the Center’s statement of financial position and costs that are expensed in the Center’s statement of activities in conformity with generally accepted accounting principles.

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**Independent Auditors' Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

To the Board of Directors of  
the Montrose Center:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Montrose Center (the Center), which comprise the statements of financial position as of August 31, 2013 and the related statements of activities, of functional expenses, and of cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated December 19, 2013.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blazek & Vetterling*

December 19, 2013

**Independent Auditors' Report on Compliance for Each Major  
Federal Program and Report on Internal Control  
Over Compliance Required by OMB Circular A-133**

To the Board of Directors of  
the Montrose Center:

**Report on Compliance for Each Major Federal Program**

We have audited the Montrose Center's (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended August 31, 2013. The Center's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

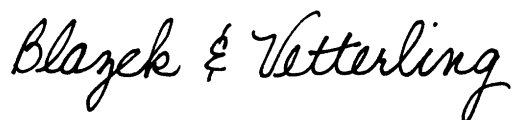
## Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



December 19, 2013



# the Montrose Center

## Schedule of Findings and Questioned Costs for the year ended August 31, 2013

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### Section I – Summary of Auditors’ Results

#### Financial Statements

Type of auditors’ report issued:  unmodified  qualified  adverse  disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to the financial statements noted?  yes  no

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors’ report issued on compliance for major programs:  unmodified  qualified  adverse  disclaimer

Any audit findings disclosed that are required to be reported in accordance with §.510(a) of Circular A-133  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.959	Block Grants for Prevention and Treatment of Substance Abuse

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?  yes  no

### Section II – Financial Statement Findings

There were no findings related to the financial statements which are required to be reported in accordance with *Government Auditing Standards*.

### Section III – Federal and State Award Findings and Questioned Costs

There were no findings for federal awards required to be reported in accordance with §.510(a) of OMB Circular A-133.



## Summary Schedule of Prior Audit Findings

The following were the audit findings for the year ended August 31, 2012, required to be reported in accordance with OMB A-133 §.300(f).

### **Finding #12-1**

*Applicable state program:* Texas Department of State Health Services  
Passed through Houston Regional HIV/AIDS  
Resource Group, Inc. contract # 12MCC00SS and 12aMCC00SS

*Criteria:* Reporting

*Condition and context:* The contract requires that quarterly reports be filed 30 days after the quarter ends. For the contract ending August 31, 2012, three of the quarterly reports were filed 15-30 days late.

*Questioned costs:* None

*Recommendation:* Implement procedures to ensure that quarterly reports are filed in accordance with contract requirements.

*Management's response and corrective action plan:* The Finance Director has set up reminders in Outlook a week or so before they are due. If a full quarter is loaded in Cyma, then the report will include a full quarter. If the full quarter is not loaded, we will send them what we have, and will send a revised report when the full quarterly information is available.

*Responsible officer:* Finance Director

*Estimated completion date:* December 26, 2012

*Management's 2013 follow-up response:* All reports were submitted timely for 2013.

Empowering LGBT Houston